CARP LAKE TOWNSHIP EMMET COUNTY, MICHIGAN

Financial Statements For the Year Ended March 31, 2006

Prepared By: Richard E. Mahlmeister, C.P.A., P.C. 580 South Nicolet, P.O.Box 996 Mackinaw City, MI 49701

Michigan Department of Treasury

Auc Issued	litin	ı g P	Procedures Ro 2 of 1968, as amended	eport and P.A. 71 of 1919,	as amended.				
Local Unit of Government Type				Local Unit Nar			County		
□County □City ☑Twp □Village		Other	Carp Lake			Emmet			
Fiscal Year End Opinion Date		0000		Date Audit Report Submitt					
Ma	March 31, 2006 October 12						November 22, 20	סט	
We a	iffirm	that:							
			d public accountar	-			•		
			rm the following ma _etter (report of cor				sed in the financial state	ments, inclu	uding the notes, or in the
	YES	8	Check each app	licable box belo	w. (See in	nstructions for	further detail.)		
1.	×		All required comp reporting entity no	onent units/fund otes to the financ	s/agencies cial statem	s of the local ents as neces	unit are included in the fir ssary.	nancial state	ements and/or disclosed in the
2.		×					unit's unreserved fund ba budget for expenditures.	lances/unre	estricted net assets
3.	×		The local unit is in	n compliance wit	h the Unifo	orm Chart of	Accounts issued by the D	epartment	of Treasury.
4.	×		The local unit has	adopted a budg	jet for all re	equired funds			
5.	×		A public hearing of	on the budget wa	as held in a	accordance w	ith State statute.		
6.			The local unit has other guidance as					ne Emerger	ncy Municipal Loan Act, or
7.	X		The local unit has	not been deling	uent in dis	stributing tax i	evenues that were collec	ted for ano	ther taxing unit.
8.	×		The local unit only	y holds deposits	/investmen	nts that compl	y with statutory requirem	ents.	
9.	×		The local unit has Audits of Local U	no illegal or una nits of Governme	no illegal or unauthorized expenditures that came to our attention as defined in the <i>Bulletin for</i> ts of Government in Michigan, as revised (see Appendix H of Bulletin).				
10.	There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.					during the course of our audit . If there is such activity that has			
11.		×	The local unit is fi	ree of repeated o	comments	from previou	s years.		
12.	×		The audit opinion	is UNQUALIFIE	D.				
13.	×		The local unit has accepted account			or GASB 34 a	s modified by MCGAA St	atement #7	and other generally
14.	×		The board or cou	ncil approves all	invoices p	prior to payme	ent as required by charter	or statute.	
15.	×		To our knowledge	e, bank reconcilia	ations that	were reviewe	ed were performed timely	·.	
If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission. I, the undersigned, certify that this statement is complete and accurate in all respects.									
			closed the followi		1	Enclosed Not Required (enter a brief justification)			
Financial Statements			\boxtimes						
The letter of Comments and Recommendations				\boxtimes					
Other (Describe)									
Certified Public Accountant (Firm Name) Telephone Number									
, , ,					231-436-5223	1	1		
580 South Nicolet Street, P.Q. Box \$6				O Boy of			Mackinaw City	State MI	Zip 49701
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Member:

American Institute of Certified Public Accountants Michigan Association of Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

October 12, 2006

Township Board Carp Lake Township Emmet County, Michigan

I have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of *Carp Lake Township*, *Emmet County*, *Michigan*, as of and for the year ended March 31, 2006, which collectively comprise *Carp Lake Township's* basic financial statements as listed in the table of contents. These financial statements are the responsibility of *Carp Lake Township's* management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinions.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of *Carp Lake Township, Emmet County, Michigan*, as of March 31, 2006, and the respective changes in financial position, thereof and for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments, as of March 31, 2006.

The management's discussion and analysis and budgetary comparison information on pages 1 through 6 and 24 through 27, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

Richard E. Mahlmeister, C.P.A.

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Township's annual financial report presents our discussion and analysis of the Township's financial performance during the fiscal year ended March 31, 2006. Please read it in conjunction with the financial statements, which immediately follow this section.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements.

FINANCIAL HIGHLIGHTS

Government-Wide Highlights

Net assets at March 31, 2006 totaled \$766,528, representing a decrease of \$169,986 from the previous fiscal year.

Governmental Fund Highlights

The governmental fund activities of the Township reported combined ending fund balances of \$433,828, which represents a decrease of \$150,109 from the previous fiscal year.

Capital Assets and Long-term Debt

\$13,252 of capital assets were acquired during the year. The Township's long-term debt decreased by \$4,364 to \$41,420. Capital asset and debt activity is addressed further in a subsequent section of this letter.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts: 1) management's discussion and analysis; 2) the basic financial statements; and 3) required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Township.

The first two statements are government-wide financial statements and provide both long and short-term information about our overall financial status. These statements present governmental activities and/or business-type activities. There were no business-type activities for the fiscal year March 31, 2006.

The remaining statements are fund financial statements, which focus on individual parts of the Township in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

MANAGEMENT'S DISCUSSION AND ANALYSIS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide statements report information about the Township as a whole, using accounting methods used by private companies. The Statement of Net Assets includes all of the Township's assets and liabilities. The Statement of Activities records all of the current year's revenues and expenses, regardless of when received or paid.

The two Government-wide statements report net assets and how they have changed. Net assets are the difference between the Township's assets and liabilities. This is one method to measure our financial health or position.

Over time, increases or decreases in the Township's net assets are an indicator of whether financial position is improving or deteriorating.

To assess the overall health of the Township, you may also consider additional factors such as tax base changes, facility conditions, and personnel changes.

Most of the activities are reported as governmental activities. These would include the operations recorded in the General Fund, Road Fund, Fire Fund and Fire Capital Improvement Fund.

The comparison of net assets of governmental activities from year to year serves to measure a government's financial position:

Carp Lake Township Net Assets March 31.

	GOVERNMENTAL ACTIVITIES	
Assets:	2006	2005
Current assets	\$446,591	\$594,175
Capital assets (net)	366,969	391,334
Total assets	\$813,560	\$985,509
Liabilities:		
Current liabilities	\$10,139	\$7,574
Noncurrent liabilities	36,893	41,420
Total Liabilities	\$47,032	\$48,994
Net assets:		
Invested in capital assets, net of related debt	\$325,549	\$345,550
Unrestricted	440,979	590,965
Total Net Assets	\$766,528	\$936,515

MANAGEMENT'S DISCUSSION AND ANALYSIS

GOVERNMENT-WIDE FINANCIAL STATEMENTS (CONTINUED)

The most significant portion of the Township's Net Assets is the investment in capital assets (e.g. land, buildings, equipment and fire vehicles), less any related debt that is outstanding used to acquire or construct the asset. The Township has \$440,979 in unrestricted Net Assets. These assets represent resources that are available for appropriation, but are limited by policies regarding their use.

The following table summarizes the results of the changes in Net Assets of the Township:

Carp Lake Township Change in Net Assets March 31,

	GOVERNMENTAL ACTIVITIES	
	2006	2005
REVENUES:		
Program revenues:		
Charges for services	\$37,506	\$20,975
Operating grants and contributions	975	751
Capital grants and contributions	8,700	8,419
General revenues:		
Property taxes	122,728	117,048
State-shared revenues	63,435	73,032
Interest income	6,572	3,879
Other	271	250
Total Revenues	240,187	224,354
EXPENSES:		
Legislative	3,012	5,277
General government	54,643	51,697
Public safety	73,892	66,545
Public works	259,799	33,467
Recreation and culture	10,577	9,620
Other	8,250	7,764
Total Expenses	410,173	174,370
NET ASSETS:		
Increase (decrease) in net assets	(169,986)	49,984
Beginning Net Assets	936,514	886,530
Ending Net Asscts	\$766,528	\$936,514

MANAGEMENT'S DISCUSSION AND ANALYSIS

GOVERNMENT-WIDE FINANCIAL STATEMENTS (CONTINUED)

Governmental Activities

The Township is able to report positive balances in its net asset balances. During the fiscal year, net assets decreased by \$169,986.

Revenue increases, when compared to last fiscal year, totaling \$15,833, can be attributed mainly to increased tax revenue due to rising taxable property values.

Offsetting some of the increases in revenue, the Township spent approximately \$236,500 for road repairs during the fiscal year. This is the result of saving several years worth of road taxes in order to undertake several projects including surfacing Hayes Lane and making improvements to DeKruif Road

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Township's funds, focusing on significant (major) funds, not the Township as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. They may also be created by the Township Board. Funds are established to account for funding and spending of specific financial resources and to show proper expenditure of those resources.

The Township has the following types of funds:

Governmental Funds

Most of the Township's activities are included in the governmental fund category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the Township's government-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them.

The Township maintains four individual governmental funds; General Fund, Road Fund and, Fire Fund of which we consider major funds. We also have a Fire Capital Improvement Fund, which is considered a non-major fund. The Township funds are financed primarily by both property tax revenue and state shared revenues.

Fiduciary Funds

The Township acts as a trustee or fiduciary and is responsible for insuring that the assets of these activities are collected and disbursed to the respective entities to which the funds belong. The Township maintains these funds and is responsible for insuring that the assets of these activities are spent for their intended purpose and at the direction of those individuals/organizations to whom the funds belongs. These activities do not appear in the Township's government-wide financial statements since the assets do not belong to the Township. The Township maintains a Tax Collection Fund in this category.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

Governmental Fund Activities

The Township's fund activities remained consistent. The Township continued to provide the same services to its residents: administrative, assessing, elections, township hall maintenance, road maintenance, fire protection, and tax collection. The General Fund increased its fund balance by \$32,007, bringing the fund balance to \$293,776, the Road Fund decreased its fund balance by \$202,350, bringing the fund balance to \$47,918, the Fire Fund increased its fund balance by \$26,323, bringing the fund balance to \$90,710, and the Fire Capital Improvement Outlay Fund decreased its fund balance by \$6,089, bringing the fund balance to \$1,424.

Capital Asset and Debt Administration

Capital Assets

At March 31, 2006, the Township's governmental activities had \$366,969 in net capital assets (land, buildings, equipment and fire vehicles). There were \$13,252 in new capital assets purchased during the current year, which include fire-fighting equipment and office equipment that included new computers that were purchased in order to upgrade software in accounting, taxation and assessment and to improve general government services.

Long -Term Debt

No new debt was incurred during the year, and we paid \$4,364 on the fire truck debt, bringing the balance still owing to \$41,420.

BUDGETARY HIGHLIGHTS

Significant differences between the original and final budget were in the Road Fund where the Township appropriated savings from several years to accomplish the road projects detailed under government activities above.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

While the Township expects financial aspects of governing to be generally the same as in the current year, the budget anticipates approximately \$30,000 worth of road projects in the upcoming year, is projecting some expenditures in park improvements, and includes the creation of a township website.

MANAGEMENT'S DISCUSSION AND ANALYSIS

CONTACTING TOWNSHIP MANAGEMENT

This financial report is designed to provide our citizens, creditors, investors, and customers with a general overview of the Township's finances and to demonstrate the Township's accountability for revenues it receives. If you have any questions concerning this report, or need additional information, please contact any township official at 231.537.2513 (Carp Lake Township Supervisor).

Paul A. Teike

Carp Lake Township Supervisor

January a Knueger
Jennifer K. Krueger

Carp Lake Township Clerk

Catherine T. Freebourn
Catherine T. Freebairn

Carp Lake Township Treasurer

BASIC FINANCIAL STATEMENTS



CARP LAKE TOWNSHIP STATEMENT OF NET ASSETS MARCH 31, 2006

	GOVERNMENTAL
ASSETS	ACTIVITIES
Cash and cash equivalents	\$362,973
Investments	47,059
Receivables:	
Property taxes	15,733
Due from fiduciary fund	3,078
Due from other governmental units	9,177
Prepaid expense	8,571
Capital assets (Net of Accumulated Depreciation)	366,969
TOTAL ASSETS	\$813,560
LIABILITIES AND NET ASSETS	
LIABILITIES:	
Accounts payable	\$3,110
Accrued payroll taxes	1,082
Accrued interest	1,420
Long-term llabilities:	
Due within one year	4,527
Due in more than one year	36,893
TOTAL LIABILITIES	47,032
NET ASSETS:	
Invested in capital assets, net of related debt	325,549
Unrestricted	440,979
TOTAL NET ASSETS	766,528
TOTAL LIABILITIES	
AND NET ASSETS	\$813,560

CARP LAKE TOWNSHIP STATEMENT OF ACTIVITIES FOR THE YEAR ENDED MARCH 31, 2006

Functions/Programs	Expenses	Charges for Services	Program Revenues Operating Grants and Contributions
Primary government:			
Governmental activities			
Legislative	\$3,012	\$ -	\$ -
General government	54,643	2,275	449
Public safety	73,892	16,600	526
Public works	259,799	18,631	-
Recreation and culture	10,577	-	-
Otber	8,250	•	<u> </u>
Total governmental activities	410,173	37,506_	975

General Revenues
Property taxes
State-shared revenues
Unrestricted interest income
Other
Total general revenues
Change in net assets
Net assets, beginning of year
Net assets, end of year

Net (Expense) Revenue and Changes

in Net Assets Governmental

Activities

Capital Grants					
and					
Contributions					

TOTAL

\$ -	(\$3,012)
-	(51,919)
8,700	(48,066)
-	(241,168)
-	(10,577)
-	(8,250)

8,700 (362,992)

122,728

63,435

6,572

271

193,006

(169,986)

936,514

\$766,528

FUND FINANCIAL STATEMENTS

CARP LAKE TOWNSHIP BALANCE SHEET - GOVERNMENTAL FUNDS MARCH 31, 2006

	GENERAL	ROAD	FIRE
ASSETS	FUND	FUND	FUND
Cash and cash equivalents	\$231,629	\$43,762	\$86,158
Investments	47,059	-	-
Taxes receivable	5,463	4,156	6,114
Due from other governmental units	9,177	-	-
Due from tax collection fund	3,078	<u> </u>	<u> </u>
TOTAL ASSETS	\$296,406	\$47,918	\$92,272
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payahle	\$1,548	s -	\$1,562
Accrued payroll taxes and benefits	1,082		-
TOTAL LIABILITIES	2,630	·	1,562
FUND BALANCES			
Unreserved, undesignated	293,776	47,918	90,710
TOTAL LIABILITIES			
AND FUND BALANCES	\$296,406	\$47,918	\$92,272

NON-MAJOR FUND FIRE CAPITAL MPROVEMENT FUND	TOTAL GOVERNMENTAL FUNDS
\$1,424	\$362,973
-	47,059
•	15,733
-	9,177
	3,078
\$1,424	\$438,020
\$ - 	\$3,110 1,082
-	4,192
1,424	433,828
\$1,424	\$438,020

CARP LAKE TOWNSHIP BALANCE SHEET - GOVERNMENTAL FUNDS MARCH 31, 2006

Reconciliation of fund balances on the balance sheets for governmental activities to the statement of net assets FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$433,828 Amounts reported for governmental activities in the statement of net assets are different because: Prepaid expenses are not financial resources and therefore are not reported 8,571 in the funds Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. 521,100 Add: capital assets (154,131)Subtract: accumulated depreciation Certain liabilities are not due and payable in the current period, and therefore are not reported as liabilities in the funds, and consist of: (41,420)Subtract: Long-term liabilities (1,420)Subtract: accrued interest on long-term liabilities \$766,528 NET ASSETS OF GOVERNMENTAL ACTIVITIES

The accompanying notes are an integral part of these financial statements.

CARP LAKE TOWNSHIP STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS FOR THE YEAR ENDED MARCH 31, 2006

	GENERAL FUND	ROAD FUND	FIRE FUND
REVENUES:			
Taxes	\$45,276	\$31,284	\$46,168
State shared revenues	61,463	1,972	-
Grants from local units	-	-	8,700
Charges for services	19,031	-	16,600
Interest and rentals	7,149	940	345
Donations	449	-	526
Other revenue	271		. <u>.</u>
TOTAL REVENUES	133,639	34,196	72,339
EXPENDITURES			
Current:			
Legislative	3,012	-	-
General government	52,707	-	•
Public safety	-	-	36,878
Public works	23,253	236,546	-
Recreation and culture	10,296	-	-
Other functions	8,250	-	-
Capital outlay	4,114	-	9,138
Deht service:			
Principal	-	-	-
Interest	<u> </u>		-
TOTAL EXPENDITURES	101,632	236,546	46,016
NET CHANGES IN FUND BALANCES	32,007	(202,350)	26,323
FUND BALANCES, BEGINNING OF YEAR	261,769	250,268	64,387
FUND BALANCES, END OF YEAR	\$293,776	\$47,918	\$90,710

The accompanying notes are an integral part of these financial statements.

FIRE CAPITAL IMPROVEMENT FUND	TOTAL GOVERNMENTAL FUNDS
\$ -	\$122,728
-	63,435
-	8,700
-	35,631
13	8,447
=	975
	271
13	240,187
-	3,012
-	52,707
-	36,878
-	259,799
-	10,296
-	8,250
-	13,252
4,364	4,364
1,738	1,738
6,102	390,296
(6,089)	(150,109)
7,513	583,937
\$1,424	\$433,828

CARP LAKE TOWNSHIP STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS FOR THE YEAR ENDED MARCH 31, 2006

Reconciliation of statement of revenues, expenditures and changes in fund balances of governmental funds to statement of activities

governmental funds to statement of activities	
NET CHANGES IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	(\$150,109)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, those costs	
are allocated over their useful lives as annual depreciation expense in the statement of activities.	
Add: capital outlay capitalized during the current year	13,252
Subtract: depreciation expense	(37,617)
Repayment of debt principal is an expenditure in the governmental funds, but the	
repayment reduces long-term liabilities in the statement of net assets.	
Add: principal payments on long-term liabilities	4,364
Some expenses in the statement of activities do not require the use of current	
finanical resources and therefore are not reported as expenditures in governmental funds.	
Add: prior year accrued interest on debt	1,570
Subtract: current year accrued interest on debt	(1,420)
Add: current year prepaid expense	8,571

(8,597)

(\$169,986)

The accompanying notes are an integral part of these financial statements.

Subtract: prior year prepaid expense

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES

CARP LAKE TOWNSHIP STATEMENT OF FIDUCIARY NET ASSETS FIDUCIARY FUND MARCH 31, 2006

	ASSETS	AGENCY FUND
•	Cash	\$8,163
-	LIABILITIES	
-	Due to other funds	\$3,078
	Due to others	5,085
	TOTAL LIABILITIES	8,163
	NET ASSETS	
	Fiduciary Net Assets	<u> </u>

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Carp Lake Township, Emmet County, Michigan conform to generally accepted accounting principles as applicable to governments. The following is a summary of the most significant policies.

Carp Lake Township adopted the governmental reporting model and implemented Governmental Accounting Standards Board (GASB) Statement 34, Basic Financial Statements – Management's Discussion and Analysis – for State and Local Governments, and Statement No. 38, Certain Financial Statement Note Disclosures and applied those standards as of April 1, 2004. Under the provisions of GASB Statements Nos. 34 and 38, the focus of the Township's financial statements has shifted from a fund focus to a government-wide focus. Private-sector standards of accounting issued prior to December 1, 1989 are generally followed in the government-wide financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The government has elected not to follow private-sector standards issued after November 30, 1989.

THE REPORTING ENTITY

In accordance with the provisions of the Governmental Accounting Standards Board's Statement No. 14, "The Financial Reporting Entity", the financial statements of the reporting entity include those of the Township and any component units. The basic criterion for including a governmental department, agency, institution, commission, public authority or other governmental organization in a governmental unit's financial report is the exercise of oversight responsibility over such agencies by the governmental unit's elected officials. The manifestations of such oversight responsibility are financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters. The Township has determined that no entities should be consolidated into its financial statements as component units. Therefore, the reporting entity consists of the primary government financial statements only.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of inter-fund activity has been removed from these statements.

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide Financial Statements (Continued)

Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely, to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which direct expenses of a given function or segment offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use. Or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items are not properly included among program revenues are reported instead as general revenue.

Fund Financial Statements

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. GASB Statement No. 34 sets forth minimum criteria, based on percentage of the assets, liabilities, revenues or expenditures/expenses of the governmental and proprietary funds, for the determination of major funds.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION (CONTINUED)

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Property taxes, state shared revenue, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue in the current fiscal year. All other revenue items are considered to be available when cash is received by the government.

FUND TYPES AND MAJOR FUNDS

Governmental Funds

The Township reports the following major funds:

<u>General Fund</u> - The General Fund is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund. Financing is provided primarily by property taxes and state shared revenues.

Road Fund - This special revenue fund accounts for revenues and expenditures attributable to improvement of various roads located within the Township. Financing is primarily obtained from property taxes for this purpose.

Fire Fund - This special revenue fund is used to account for expenditures related to providing fire services to the Township. Financing is provided primarily from property taxes for this purpose.

The Township reports the following special revenue - nonmajor fund:

<u>Fire Capital Improvement Fund</u> - This special revenue fund is used to accumulate funding for the purchase of fire equipment and vehicles. Financing is provided primarily by contributions and interest income.

Fiduciary Funds

<u>Trust and Agency Fund</u> - The Tax Collection Fund is used to account for property taxes collected for the Township and as an agent for other governmental units. Fiduciary activities are not reported in the government-wide financial statements, in accordance with GASB Statement No. 34.

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of demand deposits, cash in savings and money market accounts.

INVESTMENTS

Investments are stated at cost, which approximates market, and consist of certificates of deposit with maturity values of three months or longer.

INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. All receivables are reported at their gross values. Interfund transfers reflect the use of unrestricted revenues collected in the General Fund used to finance programs accounted for in other funds in accordance with budgetary provisions.

EST1MATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain report amounts and disclosures. Accordingly, actual results could differ from those estimates.

COMPENSATED ABSENCES AND POST-EMPLOYMENT BENEFITS

There is no accumulated vacation, sick leave or post-employment benefits to be recognized.

CAPITAL ASSETS

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items). Capital assets are generally defined by the government as assets with an initial individual cost of \$400 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Expenditures for maintenance and repair are charged to current expenditures as incurred. Depreciation is computed using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts and the resulting gain or loss is recorded in operations.

Because the Township is considered a phase 3 government for GASB 34 implementation requirements, the Township is not required to report infrastructure retrospectively. Any future infrastructure additions will be capitalized, if any.

(Continued)

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CAPITAL ASSETS (CONTINUED)

Estimated useful lives, in years, for depreciable assets are as follows:

Buildings and improvements	15 - 40 years
Office and other equipment	5 - 10 years
Fire equipment	5-10 years
Fire vehicles	5-20 years

LONG-TERM OBLIGATIONS

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. In the fund financial statements, governmental fund types recognize the face amount of debt issued as other financing sources. Issuance costs are reported as debt service expenditures.

FUND EQUITY

Reserved fund balances for governmental funds indicates that portion of fund equity which has been legally segregated for specific purposes and/or does not constitute current available spendable resources. Designated fund balance indicates that portion of fund equity for which the Township has made tentative plans. Undesignated fund balance indicates that portion of fund equity, which is available for budgeting in future periods.

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds.

The Township follows the following procedures in establishing the budgetary data reflected in the financial statements:

- 1. Prior to the beginning of the fiscal year, the Township Clerk submits to the Township Board a proposed operating budget for the fiscal year commencing on April 1.
- 2. Public hearings are conducted to obtain taxpayer comments.
- 3. Normally, prior to March 31, the budget is legally enacted through passage of a resolution.
- 4. Budgeted amounts are as originally adopted, or as amended by the Township Board.
- 5. Appropriations expire at the end of the fiscal year.

NOTES TO FINANCIAL STATEMENTS

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

Excess of Expenditures Over Appropriations in Budgetary Funds

P.A. 621 of 1978, Section 18 (1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the Township's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the Township for these budgetary funds were adopted to the activity level.

During the year the Township incurred expenditures which exceeded the amount appropriated as follows:

<u>Fund</u>	Appropriations	Expenditures	Variance
GENERAL			
Assessor	\$12,470	\$12,586	\$ 116
Professional services	\$ 1,500	\$ 6,769	\$ 5,269
Clerk	\$ 7,230	\$ 7,462	\$ 232
Cemetery	\$ 1,560	\$ 2,222	\$ 662
Library	\$ 9,560	\$10,296	\$ 736

NOTE 3: PROPERTY TAX

Property tax revenues for the year ended March 31, 2006, reflected in the accompanying financial statements include property taxes levied December 31, 2005. These taxes are due by February 15, 2006, and are added to the County tax rolls after February 28, 2006. The Township will receive 100% payment for the delinquent tax by June, 2006.

The taxable value of the Township totaled \$33,220,267, on which ad valorem taxes consisted of .9455 mills for the Township's operating purposes, .9455 mills for roads and 1.3911 mills for fire services, raising \$31,349 for operating purposes \$31,284 for roads and \$46,168 for fire services.

NOTE 4: CASH AND CASH EQUIVALENTS

The caption on the statements of net assets relating to cash and cash equivalents and investments represent deposits in varying amounts as follows:

\$371,136
47,059
\$418,195

(Continued)

NOTES TO FINANCIAL STATEMENTS

NOTE 4: CASH AND CASH EQUIVALENTS (CONTINUED)

The Township uses a common bank account. The equity of each fund in the common account is as follows:

General Fund	\$105,828
Special Revenue-Road Fund	43,031
Special Revenue-Fire Fund	86,158
Special Revenue-Fire Capital Improvement Fund	1,424
	\$236,441

<u>Custodial Credit Risk – Deposits:</u> At year-end the carrying amounts of cash and cash equivalents were classified as to risk as follows:

	Carrying	Bank
	Amount	Balance
Insured (FDIC)	\$208,163	\$208,171
Uninsured – uncollateralized	210,032	215,216
	\$418,195	\$423,387

All accounts are in the name of the Township and a specific fund. They are recorded in Township records at cost. Interest is recorded when deposits mature or is credited to the applicable account. The Township may experience significant fluctuations in deposit balances through the year.

Statutory Authority

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States government or Federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Township's deposits and investment policy are in accordance with statutory authority.

NOTES TO FINANCIAL STATEMENTS

NOTE 5: INTERFUND BALANCES AND TRANSFERS

The composition of interfund receivables and payables for the year ended March 31, 2006 are as follows:

	Interfund	Interfund	
Fund	Receivable	Payable	
General	\$3,078	\$ -	
Fiduciary - Tax Collection		3,078	
Total	\$3,078	\$3,078	

There were no operating transfers for the year ended March 31, 2006.

NOTE 6: CAPITAL ASSETS

Capital asset activity of the governmental activities for the current year was as follows:

	Balance			Вајапсе	
	April 1, 2005	Additions	Deletions	March 31, 2006	
Not being depreciated: Land	\$10,201	\$ -	\$ -	\$10,201	
Being Depreciated:					
Buildings and Improvements	59,028	-	-	59,028	
Office and Other Equipment	5,553	4,114	-	9,667	
Fire Equipment	90,900	6,638	-	97,538	
Fire Vehicles	342,166	2,500		344,666	
Subtotal	507,848	13,252	-	521,100	
Less accumulated depreciation	(116,514)	(37,617)		(154,131)	
Total	\$391,334	(\$24,365)	\$ -	\$366,969	

Depreciation was charged to the Township's functions as follows:

General government	\$1,936
Public safety	35,400
Recreation and culture.	281
	\$37,617

NOTES TO FINANCIAL STATEMENTS

NOTE 7: LONG-TERM DEBT

A summary of long term obligations at March 31, 2006, and transactions related thereto for the year then ended is as follows:

	Apr	il 1, 2005	Addition	is	(Reductions)	Balance March31,2006	Due Within One Year
Installment contract payable-fire trucks. Annual payments of \$6,102, including interest at							
3.74%, through 2014.	\$	45,784	\$		(\$4,364)	\$41,420	\$4,527

The annual requirements for five years ending March 31, 2006 and thereafter, including \$7,396 in interest, are as follows:

Year Ended	
March 31,	Amount
2007	\$6,102
2008	6,102
2009	6,102
2010	6,102
2011	6.102
2012-2014	18,306
	\$48,816

Interest expense for the year ended March 31, 2006 allocated to the public safety function was \$1,568.

NOTE 8: PENSION PLAN

The Township provides pension benefits to one of its employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. As established by the Township Board, the Township contributes 6% of employees' gross earnings and employees contribute 6% percent of earnings. In accordance with these requirements, the Township contributed \$27 during the current year, and the employee contributed \$27. Fees and contract charges were \$100.

NOTES TO FINANCIAL STATEMENTS

NOTE 9: RISK MANAGEMENT

Carp Lake Township participates in the Michigan Township Participating Plan for general liability, property loss, professional, public official errors and omissions liabilities. This plan is a self-insurance risk association operating within the State of Michigan pursuant to Act 138, Michigan Public Acts of 1982. This plan, through its risk manager, secures insurance policies or reinsurance treaties to cover the risks undertaken on behalf of the Township. The Township pays an annual premium to the Michigan Participating Plan for its general insurance coverage and has no additional liability beyond the premiums made to this plan.

The plan has a maximum liability for property of \$245,000, general liability of \$3,000,000, wrongful acts of \$2,000,000, crime of \$10,000, automobile of \$1,000,000, inland marine liability of \$91,000 and bonding for public officials errors and omissions. Additionally, the Township has purchased commercial insurance for workman's compensation benefits.

Claims for commercial insurance have not exceeded the amount of insurance coverage in any of the past three years.

NOTE 10: COMMITMENTS

The Township is committed under contracts for road improvements in the approximate amount of \$30,000.

REQUIRED SUPPLEMENTARY INFORMATION

CARP LAKE TOWNSHIP BUDGETARY COMPARISON SCHEDULE -GENERAL FUND FOR THE YEAR ENDED MARCH 31, 2006

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL AMENDED BUDGET POSITIVE (NEGATIVE)
REVENUES:	BCBG21	BCDGET	neron2	(1/20/121/2)
Taxes:				
Property tax	\$28,500	\$28,500	\$31,349	\$2,849
Property taxes - administrative fee	10,500	10,500	13,927	3,427
Total taxes	39,000	39,000	45,276	6,276
State shared revenues:				
State shared revenues	55,000	55,000	55,158	158
Swampland and payment in lieu of tax	6,305	6,305	6,305	
Total state shared revenues	61,305	61,305	61,463	
Charges for services:				
Cemetery lots and burials	400	400	400	-
Sanitation - transfer site fees	20,000	20,000	18,631	(1,369)
Total charges for services	20,400	20,400	19,031	(1,369)
Interest	1,500	1,500	5,274	3,774
Rentals	1,925	1,925	1,875	(50)
Total interest and rentals	3,425	3,425	7,149	3,724
Donations	600	600	449	(151)
Other revenue	600	600	271	(329)
TOTAL REVENUES	125,330	125,330	133,639	8,309

CARP LAKE TOWNSHIP BUDGETARY COMPARISON SCHEDULE GENERAL FUND FOR THE YEAR ENDED MARCH 31, 2006

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL AMENDED BUDGET POSITIVE (NEGATIVE)
LEGISLATIVE	## 200	££ 300	\$3,012	\$2,188
Township board	\$5,200	\$5,200	35,012	32,100
GENERAL GOVERNMENT				
Supervisor	4,580	4,580	4,517	63
Assessor	12,470	12,470	12,586	(116)
Elections	1,550	1,550	259	1,291
Professional services	1,500	1,500	6,769	(5,269)
Board of Review	1,800	1,800	756	1,044
Clerk	7,230	7,230	7,462	(232)
Treasurer	14,480	14,480	12,253	2,227
Township property	8,310	8,310	5,883	2,427
Cemetery	1,560	1,560	2,222	(662)
TOTAL GENERAL GOVERNMENT	53,480	53,480	52,707	773
PUBLIC WORKS				
Highways and streets	7,000	7,000	-	7,000
Street lighting	3,500	3,500	4,198	(698)
Sanitation	26,800	26,800	19,055	7,745
TOTAL PUBLIC WORKS	37,300	37,300	23,253	14,047
RECREATION AND CULTURE Library	9,560	9,560	10,296	(736)
OTHER FUNCTIONS				
Insurance and other benefits	8,850	8,850	8,250	600
CAPITAL OUTLAY	6,000	6,000	4,114	1,886
TOTAL EXPENDITURES	120,390	120,390	101,632	18,758
NET CHANGE IN FUND BALANCE	4,940	4,940	32,007	27,067
FUND BALANCE - BEGINNING OF YEAR	261,769	261,769	261,769	
FUND BALANCE - END OF YEAR	\$266,709	\$266,709	\$293,776	\$27,067
				

CARP LAKE TOWNSHIP BUDGETARY COMPARISON SCHEDULE SPECIAL REVENUE - ROAD FUND FOR THE YEAR ENDED MARCH 31, 2006

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL AMENDED BUDGET POSITIVE (NEGATIVE)
REVENUES:				
Property tax	\$30,000	\$30,000	\$31,284	\$1,284
State shared revenues - METRO Act	4,000	4,000	1,972	(2,028)
Interest income	850	850	940	90
TOTAL REVENUES	34,850	34,850	34,196	(654)
EXPENDITURES:				
Public works	173,422	236,547	236,546	·
NET CHANGE IN FUND BALANCE	(138,572)	(201,697)	(202,350)	(654)
FUND BALANCE, BEGINNING OF YEAR	250,268	250,268	250,268	
FUND BALANCE, END OF YEAR	\$111,696	\$48,571	\$47,918	(\$654)

CARP LAKE TOWNSHIP BUDGETARY COMPARISON SCHEDULE SPECIAL REVENUE - FIRE FUND FOR THE YEAR ENDED MARCH 31, 2006

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL AMENDED BUDGET POSITIVE (NEGATIVE)
REVENUES:				
Property tax	\$45,000	\$45,000	\$46,168	\$1,168
State grants	1,500	1,500	-	(1,500)
Grants from local units	7,000	7,000	8,700	1,700
Charges for services	6,000	6,000	16,600	10,600
Interest income	200	200	345	145
Donations	500	500	526	26
Other income	1,500	1,500		(1,500)
TOTAL REVENUES	61,700	61,700	72,339	10,639
EXPENDITURES:				
Public safety:				
Fire	41,600	41,600	36,878	4,722
Capital outlay	12,500	12,500	9,138	3,362
TOTAL EXPENDITURES	54,100	54,100	46,016	8,084
NET CHANGE IN FUND BALANCE	7,600	7,600	26,323	18,723
FUND BALANCE, BEGINNING OF YEAR	64,387	64,387	64,387	
FUND BALANCE, END OF YEAR	\$71,987	\$71,987	\$90,710	\$18,723



Member: American Institute of Certified Public Accountants Michigan Association of Certified Public Accountants

October 12, 2006

Township Board Carp Lake Township Emmet County, Michigan

In planning and performing my audit of the financial statements of *Carp Lake Township*, *Emmet County*, *Michigan*, for the year ended March 31, 2006, I considered the Township's internal control structure to determine my auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

However, during my audit I became aware of matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes my comments and recommendations regarding those matters. This letter does not affect my report dated October 12, 2006 on the financial statements of *Carp Lake Township*.

Thank you for the opportunity to serve *Carp Lake Township*. I appreciate the assistance I received from both the Clerk and Treasurer during my audit. Best wishes in the next year.

Mallah CPA

Sincerely,

Richard E. Mahlmeister, C.P.A.

Carp Lake Township
Comments & Recommendations
October 12, 2006
Page 2 (two)

Reportable Condition

Reportable conditions involve matters coming to my intention relating to significant deficiencies in the design or operation of the internal control structure that, in my judgement, could adversely affect Carp Lake Township's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

The reportable condition that exists is that there is a lack of segregation of duties in both the receipting and disbursement function of Carp Lake Township. This condition is generally inherent in organizations the size of Carp Lake Township, where corrective action is not practical.

Excess of Expenditures Over Appropriations

Public Act 621 of 1978, Section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. During the year ended March 31, 2006, the Township incurred expenditures in certain budgetary funds, which exceeded the amount appropriated, as shown in the body of the financial statements.

I recommend that the Township Board on a periodic basis, review appropriations as compared to actual expenditures and, prior to incurring additional expenditures, amend the budget as necessary to avoid incurring expenditures in excess of appropriations.

Budget Adoption

The budget for the fiscal year ended March 31, 2006 was adopted on April 6, 2005. State of Michigan statutes requires that the budgets be adopted prior to the beginning of the fiscal year.

I recommend that future budgets be adopted prior to the beginning of each fiscal year

Invoice Approval

Though the Township Board approved all Township expenditures, as noted in the minutes, general ledger posting account numbers were not noted on the invoice.

I recommend that the Township Board review its invoice approval and note the general ledger account number on each invoice, and, as a method of strengthening internal control, the Township consider having a board member, such as the Supervisor or Trustee sign or initial the source document as "approved" at the time the approval is made.